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FM AMEMBASSY DAMASCUS
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4331
INFO RUEHAD/AMEMBASSY ABU DHABI PRIORITY 1345
RUEHAM/AMEMBASSY AMMAN PRIORITY 7132
RUEHAK/AMEMBASSY ANKARA PRIORITY 5370
RUEHGB/AMEMBASSY BAGHDAD PRIORITY 0592
RUEHLB/AMEMBASSY BEIRUT PRIORITY 4788
RUEHEG/AMEMBASSY CAIRO PRIORITY 3475
RUEHKU/AMEMBASSY KUWAIT PRIORITY 1278
RUEHMK/AMEMBASSY MANAMA PRIORITY 0624
RUEHRH/AMEMBASSY RIYADH PRIORITY 7905
RUEHTV/AMEMBASSY TEL AVIV PRIORITY 2029
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L DAMASCUS 001075

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STATE FOR NEA/ELA

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TAGS: [ENRG](#) [EPET](#) [SY](#)

SUBJECT: SYRIANS WAKE UP TO GASOLINE PRICE HIKE

REF: DAMASCUS 949

Classified By: A/DCM Todd Holmstrom for reasons 1.4(b,d)

¶1. (SBU) Syrians awoke on November 1 to find that the SARG had increased the price of gasoline by 20 percent overnight, from 30 to 36 SP/liter (USD 2.27 to 2.72/gal). The increase was less than the 40 SP/liter price many economists had predicted during a heated public debate over the need to eliminate fuel subsidies in late August (see reftel).

¶2. (SBU) Not surprisingly, rumors are again running rampant in Damascus that this morning's price hike portends increases in the price of mazout (diesel) and butane gas in the near future. The debate over fuel subsidies dissipated suddenly six weeks ago with the onset of Ramadan, leaving many Syrians to believe that pro-subsidy regime elements had successfully argued in favor of indefinitely postponing any increase in fuel prices. In January 2006, the last increase in gasoline prices led to similar speculation, but ultimately the SARG decided not to take the more controversial -- and politically difficult -- decision to raise diesel prices. Because of the widespread use of diesel fuel in industry, agriculture and power generation, such a move would have a more profound effect on the average Syrian than an increase in gasoline alone, according to local economists.

COMMENT

¶3. (C) The timing of this decision seems tied to yesterday's Cabinet approval of the Finance Ministry's proposed 2008 budget, which projected the largest budget deficit in recent memory. Having explained the economic imperative justifying the gas price increase, the real question is whether the regime feels confident enough to now enact additional subsidy cuts. Bashar's domestic standing, while not under the severe strain of two years ago, is still suffering from a loss of prestige in the wake of the September 6 Israeli Air Force attack.
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